



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

June 9, 2020

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on Adams County, Iowa.

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$8,696,253 for the year ended June 30, 2019, a 25% decrease from the prior year. Expenses for County operations for the year ended June 30, 2019 totaled \$8,023,937, a 0.3% increase over the prior year. The significant decrease in the revenues is due primarily to a significant decrease in infrastructure contributions from the Iowa Department of Transportation.

AUDIT FINDINGS:

Sand reported nine findings related to the receipt and expenditure of taxpayer funds. They are found on pages 70 through 77 of this report. The findings address issues such as lack of segregation of duties, material amounts of accounts payable and capital asset depreciation not properly recorded in the County's financial statements, related party transactions and disbursements exceeding budget. Sand provided the County with recommendations to address each of these findings.

Five of the findings discussed above are repeated from the prior year. The County Board of Supervisors and other elected officials have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

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ADAMS COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2019

Adams County



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Rob Sand
Auditor of State

May 30, 2020

Officials of Adams County
Corning, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Adams County for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Adams County throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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Adams County

Officials

(Before January 2019)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Douglas Birt	Board of Supervisors	Jan 2019
Linda England	Board of Supervisors	Jan 2019
Leland Shipley	Board of Supervisors	Jan 2019
Merlin Dixon	Board of Supervisors	Jan 2021
Karl McCarty	Board of Supervisors	Jan 2021
Rebecca Bissell	County Auditor	Jan 2021
Nancy Barnes	County Treasurer	Jan 2019
Jamie Stargell	County Recorder	Jan 2019
Alan Johannes	County Sheriff	Jan 2021
Andrew Knuth	County Attorney	Jan 2019
Ben Mullen	County Assessor	Jan 2022

(After January 2019)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Merlin Dixon	Board of Supervisors	Jan 2021
Karl McCarty	Board of Supervisors	Jan 2021
Scott Akin	Board of Supervisors	Jan 2023
Douglas Birt	Board of Supervisors	Jan 2023
Leland Shipley	Board of Supervisors	Jan 2023
Rebecca Bissell	County Auditor	Jan 2021
Nancy Barnes	County Treasurer	Jan 2023
Jamie Stargell	County Recorder	Jan 2023
Alan Johannes	County Sheriff	Jan 2021
Andrew Knuth	County Attorney	Jan 2023
Ben Mullen	County Assessor	Jan 2022

Adams County



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Independent Auditor's Report

To the Officials of Adams County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adams County, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Adams County as of June 30, 2019 and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 14 and 48 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

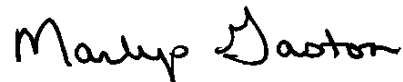
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adams County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2020 on our consideration of Adams County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Adams County's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

May 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Adams County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- Adams County's governmental activities' revenues decreased 25%, or approximately \$2,895,000, from fiscal year 2018 to fiscal year 2019. Property tax increased approximately \$143,000, operating grants, contributions and restricted interest increased approximately \$125,000 and capital grants, contributions and restricted interest decreased approximately \$2,470,000.
- Program expenses of the County's governmental activities were approximately \$27,000, or less than one percent, more in fiscal year 2019 than in fiscal year 2018. County environment and education expenses increased approximately \$120,000, government services to residents expenses increased approximately \$122,000 and roads and transportation expenses decreased approximately \$225,000.
- The County's net position at June 30, 2019 increased 3.6%, or approximately \$672,000, over the June 30, 2018 balance.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Adams County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Adams County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Adams County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and the 4) Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for the County Assessor, emergency management and CPC case management administration, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Adams County's net position at the end of fiscal year 2019 totaled approximately \$19.6 million. This compares to the fiscal year 2018 balance of \$18.9 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities		
	June 30,	
	2019	2018
Current and other assets	\$ 8,538,316	8,383,468
Capital assets	20,424,672	20,360,492
Total assets	28,962,988	28,743,960
Deferred outflows of resources	579,205	663,221
Long-term liabilities	5,043,594	5,978,952
Other liabilities	398,315	437,001
Total liabilities	5,441,909	6,415,953
Deferred inflows of resources	4,497,134	4,060,394
Net position:		
Net investment in capital assets	18,374,672	18,049,492
Restricted	2,823,712	2,873,017
Unrestricted	(1,595,234)	(1,991,675)
Total net position	\$ 19,603,150	18,930,834

Net position of Adams County's governmental activities increased 3.6% (approximately \$19.6 million compared to approximately \$18.9 million). The largest portion of the County's net position is net investment in capital assets (e.g., land, infrastructure, buildings and equipment). This net position category increased approximately \$325,000, or 1.8%, over the prior year.

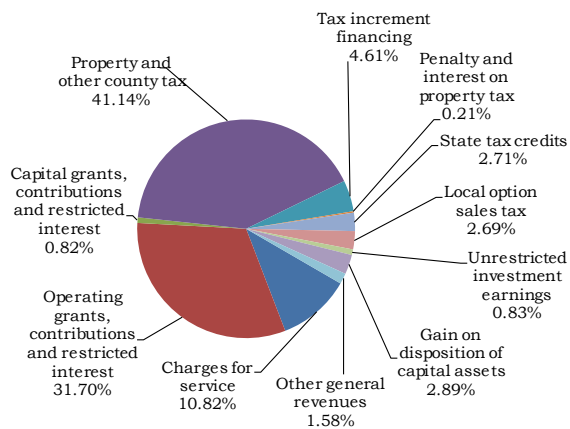
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category decreased approximately \$49,000, or 1.7%, from the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately \$2 million at June 30, 2018 to a deficit of approximately \$1.6 million at the end of this year. The deficit of approximately \$1.6 million is due primarily to urban renewal tax increment revenue bonds of approximately \$686,000 issued for a non-capitalizable purpose, and the net pension liability of approximately \$1,486,000.

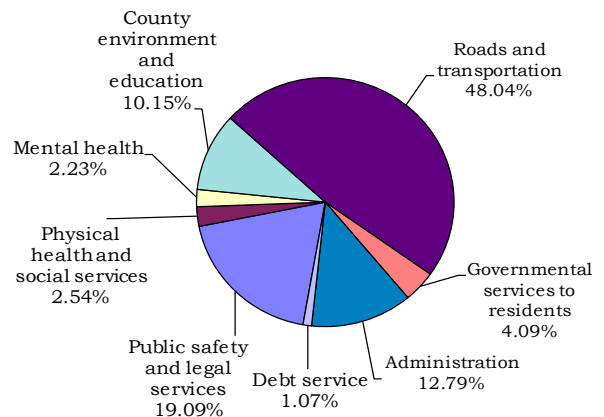
Changes in Net Position of Governmental Activities

	Year ended June 30,	
	2019	2018
Revenues:		
Program revenues:		
Charges for service	\$ 939,637	910,598
Operating grants, contributions and restricted interest	2,752,859	2,639,930
Capital grants, contributions and restricted interest	70,886	2,540,915
General revenues:		
Property and other county tax	3,572,811	3,430,017
Tax increment financing	400,315	354,709
Penalty and interest on property tax	18,564	22,913
State tax credits	235,792	212,553
Hotel/motel tax	3,824	-
Local option sales tax	233,841	216,810
Unrestricted investment earnings	72,437	30,972
Gain on disposition of capital assets	251,094	1,098,103
Other general revenues	137,165	133,978
Total revenues	8,689,225	11,591,498
Program expenses:		
Public safety and legal services	1,531,811	1,515,619
Physical health and social services	203,845	218,558
Mental health	178,812	139,315
County environment and education	814,150	694,416
Roads and transportation	3,854,857	4,080,188
Governmental services to residents	327,956	205,722
Administration	1,026,306	1,009,400
Non-program	-	28,670
Debt service	86,200	105,217
Total expenses	8,023,937	7,997,105
Change in net position	665,288	3,594,393
Net position beginning of year	18,930,834	15,336,441
Net position end of year	\$ 19,596,122	18,930,834

Revenues by Source



Expenses by Program



Adams County decreased property tax rates \$0.07829 per \$1,000 of taxable valuation for the countywide levy and property tax rates per \$1,000 of taxable valuation for the rural services levy remained the same. The fiscal year 2019 Adams County taxable property valuation increased \$19,009,998. Adams County's general basic tax levy for fiscal year 2019 was \$3.5 per \$1,000 of taxable valuation. The net effect of these changes increased the County's property tax revenue by approximately \$143,000 in fiscal year 2019.

INDIVIDUAL MAJOR FUND ANALYSIS

As Adams County completed the year, its governmental funds reported a combined fund balance of approximately \$3.89 million, a decrease of \$134,570 from last year's total of approximately \$4.03 million. The decrease in the combined fund balance is due primarily to the in the Capital Projects and LOST Funds. Changes in fund balances of the major funds from the prior year are as follows:

- General Fund revenues increased by \$245,171. The General Fund ending balance increased \$77,830, or 6.1%, over the prior year to \$1,360,609. General Fund expenditures increased by \$178,823, or 5.6%.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year ended June 30, 2019, expenditures totaled \$178,812, an increase of 16.6% over the prior year. The increase is due to an increase in the distribution to the fiscal agent. Revenues decreased \$2,240. The Special Revenue, Mental Health Fund balance at year end decreased \$25,386 from the prior year to a balance of \$4,256.
- Rural Services Fund revenues decreased by \$68,902. The Rural Services Fund ending balance increased \$14,167, or 9.4%, over the prior year to \$165,185. Rural Services Fund expenditures decreased by \$7,132, or 5.3%.
- Special Revenue, Secondary Roads Fund revenues increased \$56,175, or 2.1% over the prior year. Secondary Roads Fund expenditures decreased 4.2% to \$3,446,421. These changes resulted in an increase of \$336,917 in the ending balance from June 30, 2018 to \$1,666,697 at June 30, 2019.
- Special Revenue, Local Option Sales Tax Fund expenditures increased \$194,692, or 54.6%, over the prior year and revenues increased \$17,031 over the prior year due. The significant increase in expenditures is due to increased payments to Adams County Economic Development to help in recruiting a new hotel for Adams County and payments for the cottage project.
- Special Revenue, Urban Renewal Fund revenues increased \$44,419, or 11.2%, over the prior year. Expenditures in the Urban Renewal remained increased \$100,000, or 27.3%, over fiscal year 2018. The significant increase in expenditures is due to the County paying an additional \$100,00 in principal payments on their urban renewal tax increment revenue bonds. These changes resulted in a decrease of \$23,966 in the Urban Renewal Fund ending balance from June 30, 2018 to \$90,817 at June 30, 2019.
- The Capital Projects Fund ended fiscal year 2019 with a fund balance of approximately \$94,000, a decrease of \$318,590. The decrease in fund balance was due to expenditures for finishing the cottage project and to update the secondary roads shop.

BUDGETARY HIGHLIGHTS

Over the course of the year, Adams County amended its budget one time. The amendment was made in May 2019, and included increased budgeted disbursements of \$36,537, \$109,550, \$454,842, \$1,425 and \$612,148 in the public safety and legal services, county environment and education, roads and transportation, administration, and capital projects functions, respectively. The increases were due to purchases of radio software by the Sheriff's department, two family cottages being built by the Conservation Department, equipment purchases and updates to shops by the Secondary Roads department, all of which were not initially budgeted for.

The County's actual receipts were \$742,728 more than budgeted, a variance of 9.4%. The variance resulted from the County receiving more intergovernmental receipts than anticipated due to various grants.

Total disbursements were \$871,118 less than budgeted. Actual disbursements for roads and transportation and capital projects were under budget by \$503,133 and \$150,208, respectively. The variance in the roads and transportation function was due to fewer road disbursements than anticipated. The variance in the capital projects function was due to fewer capital project disbursements than anticipated after the budget amendment.

At June 30, 2019, disbursements in the capital projects function exceeded the amount budgeted prior to the budget amendment. In addition, disbursements in certain departments exceeded the amounts appropriated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, Adams County had approximately \$20.4 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$64,180, or 0.3%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2019	2018
Land	\$ 50,166	50,166
Intangibles, road network	215,100	215,100
Construction in progress	11,813	3,465,852
Buildings and improvements	3,398,958	2,730,405
Equipment and vehicles	2,336,314	1,870,523
Infrastructure, road network	14,412,321	12,028,446
Total	<u>\$ 20,424,672</u>	<u>20,360,492</u>
This year's major additions included:		
Capital assets contributed by the		
Iowa Department of Transportation	\$ 51,299	
Secondary roads vehicles	641,972	
Conservation family Cottages	484,471	
Sheriff/Emergency Mgmt vehicles	122,338	
Conservation board vehicles	112,688	
Total	<u>\$ 1,412,768</u>	

The County had depreciation expense of \$1,271,134 in fiscal year 2019 and total accumulated depreciation of \$9,125,004 at June 30, 2019. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2019, Adams County had \$2,921,468 of revenue bonds and capital loan notes outstanding, compared to \$3,709,892 at June 30, 2018.

	Outstanding Debt of Governmental Activities at Year-End	
	June 30,	
	2019	2018
Revenue bonds	\$ 871,468	1,386,088
General obligation capital loan notes	2,050,000	2,320,000
Installment purchase agreement	-	3,804
Total	<u>\$ 2,921,468</u>	<u>3,709,892</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. The County's constitutional debt limit is approximately \$31 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Adams County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2020 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County decreased from 1.8% in 2018 to 1.6% in 2019. This compares with the State's unemployment rate of 2.6% and the national rate of 3.8%.

These indicators were taken into account when adopting the budget for fiscal year 2020. Budgeted disbursements in the fiscal year 2020 operating budget are \$8,476,959 a decrease of 12.7% from the final fiscal year 2019 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease from the re-estimated fiscal year 2019 ending fund balance of \$2,754,622 to \$2,616,845 by the close of fiscal year 2020.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Adams County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Adams County Auditor's Office, 500 9th Street, Corning, Iowa 50841.

Basic Financial Statements

Adams County
Statement of Net Position
June 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,829,851
Receivables:	
Property tax:	
Delinquent	878
Succeeding year	4,250,000
Accounts	10,545
Due from other governments	267,982
Inventories	179,060
Capital assets, net of accumulated depreciation	<u>20,424,672</u>
Total assets	<u>28,962,988</u>
Deferred Outflows of Resources	
Pension related deferred outflows	579,205
Liabilities	
Accounts payable	320,453
Accrued interest payable	5,836
Salaries and benefits payable	71,017
Due to other governments	1,009
Long-term liabilities:	
Portion due or payable within one year:	
Revenue bonds	430,180
General obligation capital loan notes	275,000
Compensated absences	68,760
Portion due or payable after one year:	
Revenue bonds	441,288
General obligation capital loan notes	1,775,000
Compensated absences	203,444
Net pension liability	1,485,922
Total OPEB liability	<u>364,000</u>
Total liabilities	<u>5,441,909</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	4,250,000
Pension related deferred inflows	<u>247,134</u>
Total deferred inflows of resources	<u>4,497,134</u>
Net Position	
Net investment in capital assets	18,374,672
Restricted for:	
Supplemental levy purposes	595,158
Rural services purposes	165,980
Secondary roads purposes	1,525,870
Conservation land acquisition	114,321
Other purposes	422,383
Unrestricted	<u>(1,595,234)</u>
Total net position	<u>\$ 19,603,150</u>

See notes to financial statements.

Adams County
Statement of Activities
Year ended June 30, 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,531,811	471,152	1,519	-	(1,059,140)
Physical health and social services	203,845	9,263	32,681	10,000	(151,901)
Mental health	178,812	-	-	-	(178,812)
County environment and education	814,150	345,741	56,919	-	(411,490)
Roads and transportation	3,854,857	11,599	2,661,198	60,886	(1,121,174)
Governmental services to residents	327,956	93,453	-	-	(234,503)
Administration	1,026,306	8,429	542	-	(1,017,335)
Interest on long-term debt	86,200	-	-	-	(86,200)
Total	\$ 8,023,937	939,637	2,752,859	70,886	(4,260,555)
General Revenues:					
Property and other county tax levied for general purposes					3,579,839
Tax increment financing					400,315
Penalty and interest on property tax					18,564
State tax credits					235,792
Hotel/motel tax					3,824
Local option sales tax					233,841
Commercial and industrial replacement tax					79,102
Unrestricted investment earnings					72,437
Gain on disposition of capital assets					251,094
Miscellaneous					58,063
Total general revenues					4,932,871
Change in net position					672,316
Net position beginning of year					18,930,834
Net position end of year					\$ 19,603,150

See notes to financial statements.

Adams County
Balance Sheet
Governmental Funds

Year ended June 30, 2019

				Special
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,444,463	4,256	166,229	1,535,819
Receivables:				
Property tax:				
Delinquent	858	7	-	-
Succeeding year	2,361,000	141,000	1,056,000	-
Accounts	8,234	-	-	2,311
Due from other governments	50,393	-	-	197,982
Inventories	-	-	-	179,060
Total assets	\$ 3,864,948	145,263	1,222,229	1,915,172
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 92,902	-	-	223,270
Salaries and benefits payable	44,768	-	1,044	25,205
Due to other governments	1,009	-	-	-
Total liabilities	138,679	-	1,044	248,475
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,361,000	141,000	1,056,000	-
Other	4,660	7	-	-
Total deferred inflows of resources	2,365,660	141,007	1,056,000	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	179,060
Restricted for:				
Supplemental levy purposes	595,104	-	-	-
Mental health purposes	-	4,256	-	-
Rural services purposes	-	-	165,185	-
Secondary roads purposes	-	-	-	1,487,637
Local option sales tax	-	-	-	-
Debt service	-	-	-	-
Conservation land acquisition	114,321	-	-	-
Capital improvements	-	-	-	-
Other purposes	-	-	-	-
Unassigned	651,184	-	-	-
Total fund balances	1,360,609	4,256	165,185	1,666,697
Total liabilities, deferred inflows of resources and fund balances	\$ 3,864,948	145,263	1,222,229	1,915,172

See notes to financial statements.

Revenue				
Local Option Sales Tax	Urban Renewal	Capital Projects	Nonmajor	Total
332,208	90,817	98,525	157,534	3,829,851
-	-	-	13	878
-	394,000	-	298,000	4,250,000
-	-	-	-	10,545
19,607	-	-	-	267,982
-	-	-	-	179,060
351,815	484,817	98,525	455,547	8,538,316
-	-	4,281	-	320,453
-	-	-	-	71,017
-	-	-	-	1,009
-	-	4,281	-	392,479
-	394,000	-	298,000	4,250,000
-	-	-	13	4,680
-	394,000	-	298,013	4,254,680
-	-	-	-	179,060
-	-	-	-	595,104
-	-	-	-	4,256
-	-	-	-	165,185
-	-	-	-	1,487,637
351,815	-	-	-	351,815
-	90,817	-	120,237	211,054
-	-	-	-	114,321
-	-	94,244	-	94,244
-	-	-	37,297	37,297
-	-	-	-	651,184
351,815	90,817	94,244	157,534	3,891,157
351,815	484,817	98,525	455,547	8,538,316

Adams County

Adams County

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net position

June 30, 2019

Total governmental fund balances (page 19)	\$ 3,891,157
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***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$29,549,676 and the accumulated depreciation is \$9,125,004.

20,424,672

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.

4,680

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

Deferred outflows of resources	\$ 579,205	
Deferred inflows of resources	<u>(247,134)</u>	332,071

Long-term liabilities, including revenue bonds, general obligation capital loan notes, compensated absences, net pension liability, total OPEB liability and accrued interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(5,049,430)**Net position of governmental activities (page 16)**\$ 19,603,150

See notes to financial statements.

Adams County
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2019

		Special		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 2,141,726	142,058	996,505	-
Interest and penalty on property tax	20,408	-	-	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	-	-
Intergovernmental	695,807	11,368	79,653	2,670,785
Licenses and permits	1,830	-	2,300	3,055
Charges for service	476,480	-	1,750	150
Use of money and property	70,164	-	-	4,667
Miscellaneous	46,664	-	-	17,927
Total revenues	3,453,079	153,426	1,080,208	2,696,584
Expenditures:				
Operating:				
Public safety and legal services	1,489,161	-	20,000	-
Physical health and social services	173,323	-	24,716	-
Mental health	-	178,812	-	-
County environment and education	590,409	-	89,062	-
Roads and transportation	-	-	-	3,446,421
Governmental services to residents	328,587	-	2,020	-
Administration	788,769	-	-	-
Debt service	-	-	-	-
Capital projects	5,000	-	-	-
Total expenditures	3,375,249	178,812	135,798	3,446,421
Excess (deficiency) of revenues over (under) expenditures	77,830	(25,386)	944,410	(749,837)
Other financing sources (uses):				
Transfers in	-	-	-	930,243
Transfers out	-	-	(930,243)	-
Sale of capital assets	-	-	-	156,511
Total other financing sources (uses)	-	-	(930,243)	1,086,754
Change in fund balances	77,830	(25,386)	14,167	336,917
Fund balances beginning of year	1,282,779	29,642	151,018	1,329,780
Fund balances end of year	\$ 1,360,609	4,256	165,185	1,666,697

See notes to financial statements.

Revenue				
Local Option Sales Tax	Urban Renewal	Capital Projects	Nonmajor	Total
-	-	-	300,105	3,580,394
-	-	-	-	20,408
-	400,315	-	-	400,315
233,841	-	-	-	233,841
-	40,426	-	31,224	3,529,263
-	-	-	-	7,185
-	-	-	984	479,364
-	1,599	-	372	76,802
-	-	7,300	-	71,891
233,841	442,340	7,300	332,685	8,399,463
-	-	-	-	1,509,161
-	-	-	-	198,039
-	-	-	-	178,812
200,000	-	-	-	879,471
-	-	-	-	3,446,421
-	-	-	-	330,607
-	-	-	-	788,769
500	466,306	-	405,721	872,527
155,847	-	413,423	-	574,270
356,347	466,306	413,423	405,721	8,778,077
(122,506)	(23,966)	(406,123)	(73,036)	(378,614)
-	-	-	86,468	1,016,711
(86,468)	-	-	-	(1,016,711)
-	-	87,533	-	244,044
(86,468)	-	87,533	86,468	244,044
(208,974)	(23,966)	(318,590)	13,432	(134,570)
560,789	114,783	412,834	144,102	4,025,727
351,815	90,817	94,244	157,534	3,891,157

Adams County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances –
Governmental Funds to the Statement
of Activities

Year ended June 30, 2019

Change in fund balances - Total governmental funds (page 23) \$ (134,570)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,276,965	
Capital assets contributed by the Iowa Department of Transportation	51,299	
Depreciation expense	<u>(1,271,134)</u>	57,130

In the Statement of Activities, the loss on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.

7,050

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

Property tax	(555)	
Other	<u>(5,048)</u>	(5,603)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

788,424

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.

226,522

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(13,887)	
Pension expense	(213,457)	
OPEB expense	(41,000)	
Interest on long-term debt	<u>1,707</u>	<u>(266,637)</u>

Change in net position of governmental activities (page 17)

\$ 672,316

See notes to financial statements.

Adams County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2019

Assets

Cash and pooled investments:

County Treasurer	\$ 513,147
Other County officials	3,646

Receivables:

Property tax:

Delinquent	487
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Succeeding year	6,937,000
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Special assessments	<u>1,568</u>
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Total assets	<u>7,455,848</u>
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Liabilities

Salaries and benefits payable	4,022
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Due to other governments	7,435,917
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Trusts payable	3,275
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Compensated absences	<u>12,634</u>
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Total liabilities	<u>7,455,848</u>
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Net position	<u>\$ -</u>
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See notes to financial statements.

Adams County

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies

Adams County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Adams County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Adams County Assessor's Conference Board, Adams County Emergency Management Commission and the South Central Iowa Regional 911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations: Creston Cluster Decat Program, Adams and Taylor Counties Regional Service Agency, Southern Hills Regional Mental Health Region, South Iowa Area Detention Service Agency and Adams, Taylor and Union County Medicaid Case Management Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used to make payments on the local option sales tax revenue bonds, with any remaining revenues used for any lawful purpose determined by the Board of Supervisors.

The Urban Renewal Fund receives revenues from a tax authorized by ordinance in the urban renewal district for repayment of tax increment financing indebtedness.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, they are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at amortized cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represent taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing receivables have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2018.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not more than 15 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure and buildings	\$ 50,000
Land	10,000
Intangibles	50,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and infrastructure	20 - 100
Intangibles	5 - 20
Equipment and vehicles	3 - 30

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County after the measurement date but before the end of the County's reporting period.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is paid at 50%, not to exceed 360 hours, upon retirement or death. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2019. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund, the Special Revenue, Secondary Roads Fund and the Special Revenue, Mental Health Fund.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Total OPEB Liability – For purposes of measuring the total OPEB liability and OPEB expense, information has been determined based on the Adams County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied, unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements at June 30, 2019 did not exceed the amount budgeted, however, during the fiscal year, disbursements exceeded the amount budgeted in the capital project function prior to the budget amendment. In addition, disbursements in certain departments exceeded the amounts appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 930,243
Aquatic Center Sinking	Local Option Sales Tax	86,468
Total		<u>\$ 1,016,711</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 50,166	-	-	50,166
Construction in progress, road network	3,123,098	63,112	3,174,397	11,813
Intangibles, road network	215,100	-	-	215,100
Construction in progress	342,754	484,471	827,225	-
Total capital assets not being depreciated/amortized	3,731,118	547,583	4,001,622	277,079
Capital assets being depreciated:				
Buildings	3,967,419	827,225	-	4,794,644
Improvements to building	730,661	-	-	730,661
Equipment and vehicles	4,282,611	876,998	420,143	4,739,466
Infrastructure, road network	14,276,393	3,174,397	-	17,450,790
Infrastructure, other	1,557,036	-	-	1,557,036
Total capital assets being depreciated	24,814,120	4,878,620	420,143	29,272,597
Less accumulated depreciation for:				
Buildings	1,870,253	109,962	-	1,980,215
Improvements other than buildings	97,422	48,711	-	146,133
Equipment and vehicles	2,412,088	321,941	330,876	2,403,153
Infrastructure, road network	3,574,312	686,718	-	4,261,030
Infrastructure, other	230,671	103,802	-	334,473
Total accumulated depreciation	8,184,746	1,271,134	330,876	9,125,004
Total capital assets being depreciated, net	16,629,374	3,607,486	89,267	20,147,593
Governmental activities capital assets, net	\$ 20,360,492	4,155,069	4,090,889	20,424,672

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 95,394
Physical health and social services	5,972
County environment and education	265,950
Roads and transportation	898,005
Administration	5,813
Total depreciation/amortization expense - governmental activities	<u>\$ 1,271,134</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2019 is as follows:

Fund	Description	Amount
General	Services	<u>\$ 1,009</u>
Agency:		
Agricultural Extension Education	Collections	\$ 107,261
County Assessor		440,130
Schools		5,423,193
Community Colleges		318,278
Corporations		721,045
Townships		195,760
Auto License and Use Tax		107,883
All other		<u>122,367</u>
Total for agency funds		<u>\$ 7,435,917</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	Installment Purchase Agreement	Urban Renewal Tax Increment Revenue Bonds	Local Option Sales Tax Revenue Bonds	General Obligation Capital Loan Notes	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 3,804	1,126,088	260,000	2,320,000	258,317	1,687,743	323,000	5,978,952
Increases	-	-	-	-	321,027	-	41,000	362,027
Decreases	3,804	439,620	75,000	270,000	307,140	201,821	-	1,297,385
Balance end of year	\$ -	686,468	185,000	2,050,000	272,204	1,485,922	364,000	5,043,594
Due within one year	\$ -	350,180	80,000	275,000	68,760	-	-	773,940

Urban Renewal Tax Increment Revenue Bonds

The County sold \$2,400,000 and \$1,660,000 of urban renewal tax increment (TIF) revenue bonds dated January 26, 2007 and February 13, 2007, respectively. The bonds bear interest at 2.9% per annum with final maturity on December 1, 2021. On June 1, 2021, the interest rate on the bonds will be adjusted to a rate 130 basis points higher than the five year U.S. Treasury rate as published in the Wall Street Journal. Principal and interest on the bonds are payable in semiannual payments of \$108,268 and \$74,885, respectively, on June 1 and December 1 beginning December 1, 2009 and continuing through a final payment of all remaining principal and interest on December 1, 2021.

The County reserves the right to call and prepay any principal amount of these bonds at any time upon the County giving notice by registered or certified mail to the purchaser or other registered holder not less than thirty days prior to the date set for prepayment.

The County has covenanted it will call and prepay any principal amounts of these bonds on June 1 of each year in an amount equal to the balance of funds remaining in the Special Revenue, Urban Renewal Fund after the then current June 1 payments of principal and interest have been made.

Formal repayment schedules have been established for the urban renewal tax increment revenue bonds. However, these are subject to change depending on the County's right to prepay the bonds at any time and the adjustable interest rate.

Details of the County's June 30, 2019 urban renewal tax increment revenue bond indebtedness are as follows:

Year Ending June 30,	Series 2006			Series 2007			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2020	2.9%	\$ 204,987	11,549	2.9%	\$ 145,193	4,578	350,180	16,127	366,307
2021	2.9	210,538	5,998	2.9	61,046	821	271,584	6,819	278,403
2022	2.9	64,704	870	2.9	-	-	64,704	870	65,574
Total		\$ 480,229	18,417		\$ 206,239	5,399	686,468	23,816	710,284

The urban renewal tax increment revenue bonds were issued for the purpose of paying costs of an urban renewal project to improve certain county roads, provide an economic development grant to Pinnacle Ethanol, LLC and Corning Municipal Utilities and pay capitalized interest and costs of issuance of the bonds. The bonds are payable solely from the income and proceeds of the urban renewal project in accordance with Chapter 403.19 of Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the bonds shall be expended only for purposes consistent with the plans of the County's urban renewal area. The total principal and interest remaining on the bonds is \$710,284, payable through fiscal year 2022. For the current year, principal and interest paid and tax increment revenues were \$466,306 and \$400,315, respectively. The bonds are not a general obligation of the County, but the debt is subject to the constitutional debt limitation of the County. The resolution providing for the issuance of the bonds includes the following provisions:

- (a) The bonds will only be redeemed from the urban renewal tax increment revenue received by the County. The County accounts for this activity within the Special Revenue, Urban Renewal Fund.
- (b) The first \$1,500,000 of bond proceeds shall be used to fully fund the water grant for the City of Corning. The next \$520,000 of bond proceeds shall be used by the County to pay the costs of highway improvements. Next, sufficient bond proceeds shall be set aside to pay the costs of issuance of the bonds and to make provision for the payment of interest on the bonds through December 1, 2009. Finally, any remaining bond proceeds shall be used to fund an initial installment of the Pinnacle Ethanol, LLC grant.

During the year ended June 30, 2019, the County was in compliance with the revenue bond provisions.

Local Option Sales Tax Revenue Bonds

The County issued local option sales tax revenue bonds for a joint project with the City of Corning under a 28E agreement. The County has pledged future local option sales tax revenues to repay \$1,025,000 of local option sales tax revenue bonds, Series 2008 issued in July 2008. Proceeds from the bonds provided financing for an Aquatic Center in Corning to be operated by the City of Corning under a 28E Joint Operation Agreement. The bonds are payable solely from the proceeds of the local option sales tax received by the County and \$25,220 per year to be received from the City of Corning in accordance with the 28E Joint Operation Agreement and Chapters 423B.9(3) and 384.83 of the Code of Iowa. In October 2016, the City of Corning paid in advance, the remainder of their portion of the outstanding bonds. Total principal and interest remaining to be paid on the bonds is \$199,015. For the current year, principal and interest paid and total local option sales tax collections were \$86,468 and \$233,841, respectively.

Details of County's June 30, 2019 local option sales tax revenue bonds is as follows:

Year					
Ending	Interest				
June 30,	Rates	Principal	Interest	Total	
2020	4.35%	\$ 80,000	8,205	88,205	
2021	4.45	80,000	4,685	84,685	
2022	4.45	25,000	1,125	26,125	
Total		\$ 185,000	14,015	199,015	

The resolution providing for the issuance of the local option sales tax revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future local option sales tax revenue received by the County and the bond holders hold a lien on the future revenues received.
- (b) A local option sales tax revenue bond sinking account shall be established and sufficient monthly deposits shall be made to the sinking account for the purpose of making bond principal and interest payments when due.
- (c) A local option sales tax revenue bond reserve account shall be established and monthly deposits to the reserve account equal to 25% of the amount required to be deposited into the sinking account shall be made until \$96,450 has been accumulated. This account is restricted for the purpose of correcting any deficiencies in the sinking account.

During the year ended June 30, 2019, the County was in compliance with the revenue bond provisions.

General Obligation Capital Loan Notes

The County sold \$3,120,000 of general obligation capital loan notes dated May 20, 2015. The notes bear interest at rates ranging from 1.75% to 2.50% per annum with final maturity on June 1, 2026. Semiannual interest payments are due on June 1 and December 1 each year beginning December 1, 2015 and annual principal payments are due on June 1 each year beginning June 1, 2016.

The loan proceeds were used for constructing and equipping improvements to the Lake Icaria Timber Ridge campground managed by the County Conservation Board and the expansion of the County Haven sewer system.

Details of the County's June 30, 2019 general obligation capital loan notes is as follows:

Year Ending June 30,	Interest Rates		Principal	Interest	Total
2020	2.00%	\$	275,000	43,355	318,355
2021	2.00		280,000	37,855	317,855
2022	1.75		290,000	32,255	322,255
2023	1.95		290,000	27,180	317,180
2024	2.05		300,000	21,525	321,525
2025-2026	2.50		615,000	23,125	638,125
Total		\$	2,050,000	185,295	2,235,295

(7) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's and protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.76% of covered payroll, for a total rate of 19.52%. Protection occupation members contributed 6.81% of covered payroll and the County contributed 10.21% of covered payroll, for a total rate of 17.02%.

The County's contributions to IPERS for the year ended June 30, 2019 were \$226,522.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the County reported a liability of \$1,485,922 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the County's proportion was 0.023481%, which was a decrease of 0.001856% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$213,457. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,914	50,264
Changes of assumptions	299,277	77,240
Net difference between projected and actual earnings on IPERS' investments	-	64,254
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	37,492	55,376
County contributions subsequent to the measurement date	226,522	-
Total	<u>\$ 579,205</u>	<u>247,134</u>

\$226,522 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2020	\$ 100,063
2021	59,848
2022	(30,325)
2023	(17,573)
2024	(6,464)
Total	<u>\$ 105,549</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 2,998,831	1,485,922	217,227

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2019.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Adams County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>46</u>
Total	<u>47</u>

Total OPEB Liability – The County's total OPEB liability of \$364,000 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation	
(effective June 30, 2019)	2.60% per annum.
Rates of salary increase	3.25% per annum, including
(effective June 30, 2019)	inflation.
Discount rate	3.51% compounded annually,
(effective June 30, 2019)	including inflation.
Healthcare cost trend rate	8.5% initial rate decreasing by .5%
(effective June 30, 2019)	annually to an ultimate rate of 5.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.51% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 323,000
Changes for the year:	
Service cost	36,000
Interest	14,000
Differences between expected and actual experiences	(7,000)
Changes in assumptions	9,000
Benefit payments	(11,000)
Net changes	41,000
Total OPEB liability end of year	<u>\$ 364,000</u>

Changes of assumptions reflect a change in the discount rate from 3.87% in fiscal year 2018 to 3.51% in fiscal year 2019.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.51%) or 1% higher (4.51%) than the current discount rate.

	<u>1% Decrease (2.51%)</u>	<u>Discount Rate (3.51%)</u>	<u>1% Increase (4.51%)</u>
Total OPEB liability	\$ 390,000	364,000	340,000

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (7.50%) or 1% higher (9.50%) than the current healthcare cost trend rates.

	<u>1% Decrease (7.50%)</u>	<u>Healthcare Cost Trend Rate (8.50%)</u>	<u>1% Increase (9.50%)</u>
Total OPEB liability	\$ 329,000	364,000	406,000

OPEB Expense – For the year ended June 30, 2019, the County recognized OPEB expense of \$41,000. Under the alternative measurement method, all deferred inflows of resources and deferred outflows of resources related to OPEB are fully recognized (expensed) immediately.

(9) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 778 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2019 were \$135,103.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2019, no liability has been recorded in the County's financial statements. As of June 30, 2019, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$5,000,000 and \$50,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Jointly Governed Organization

The County participates in the Adams, Taylor and Union County Medicaid Case Management Board, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2019:

Additions:	
Federal grants and entitlements:	
Medicaid case management	\$ 2,691
Deductions:	
None	-
Net	2,691
Balance beginning of year	70,240
Balance end of year	<u>\$ 72,931</u>

(11) Adams County Financial Information Included in the Southern Hills Regional Mental Health Region

Southern Hills Regional Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, includes the following member counties: Adair, Adams, Taylor and Union. The financial activity of Adams County's Special Revenue, Mental Health Fund is included in the Southern Hills Regional Mental Health Region for the year ended June 30, 2019, as follows:

Revenues:	
Property and other county tax	\$ 142,058
Intergovernmental revenues:	
State tax credits	\$ 9,707
Other	<u>1,661</u>
Total revenues	<u>153,426</u>
Expenditures:	
General administration:	
Distribution to regional fiscal agent	<u>178,812</u>
Excess of expenditures over revenues	(25,386)
Fund balance beginning of year	<u>29,642</u>
Fund balance end of year	<u>\$ 4,256</u>

(12) Ambulance Agreement

Beginning December 1988, the County entered into an agreement with Mercy Hospital (now known as Alegant Health Mercy Hospital) of Corning, Iowa to manage the operations of the Ambulance Rescue. The County annually compensates Alegant Health Mercy Hospital a negotiated amount for these operations, which was \$40,000 for the year ended June 30, 2019. Under the agreement, the County owns the equipment necessary for the Ambulance Rescue operations. In the event the agreement is terminated, any remaining funds held by Alegant Health Mercy Hospital in the Ambulance cash account are to be returned to the County. At June 30, 2019, the balance of the account held by Alegant Health Mercy Hospital is \$247,025.

(13) Subsequent Event

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of Adams County, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the County's operations and finances.

Adams County

Required Supplementary Information

Adams County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2019

		Budgeted Amounts		Final to
	Actual	Original	Final	Actual
				Variance
Receipts:				
Property and other county tax	\$ 3,419,958	3,487,938	3,487,938	(67,980)
Delinquent property taxes	177	-	-	177
Penalties, interest and costs on taxes	20,545	-	-	20,545
Interest and penalty on property tax	791,814	551,379	551,380	240,434
Intergovernmental	3,498,939	3,031,967	3,031,967	466,972
Licenses and permits	7,185	4,638	4,638	2,547
Charges for service	505,049	462,345	462,345	42,704
Use of money and property	76,780	30,275	34,028	42,752
Miscellaneous	64,243	57,570	60,667	3,576
Proceeds of fixed asset sales	244,044	-	253,044	(9,000)
Total receipts	8,628,734	7,626,112	7,886,007	742,727
Disbursements:				
Public safety and legal services	1,465,438	1,497,408	1,533,945	68,507
Physical health and social services	198,489	222,802	222,802	24,313
Mental health	178,811	178,811	178,811	-
County environment and education	866,183	783,392	892,942	26,759
Roads and transportation	3,531,709	3,580,000	4,034,842	503,133
Governmental services to residents	329,668	348,064	348,064	18,396
Administration	775,832	854,208	855,633	79,801
Non-program	-	-	-	-
Debt service	872,527	872,529	872,529	2
Capital projects	616,940	155,000	767,148	150,208
Total disbursements	8,835,597	8,492,214	9,706,716	871,119
Excess (deficiency) of receipts over (under) disbursements	(206,863)	(866,102)	(1,820,709)	1,613,846
Balance beginning of year	4,036,714	3,175,666	3,175,666	861,048
Balance end of year	\$ 3,829,851	2,309,564	1,354,957	2,474,894

See accompanying independent auditor's report.

Adams County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2019

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 8,628,734	(229,271)	8,399,463
Expenditures	8,835,597	(57,520)	8,778,077
Net	(206,863)	(171,751)	(378,614)
Other financing sources, net	-	244,044	244,044
Beginning fund balances	4,036,714	(10,987)	4,025,727
Ending fund balances	<u>\$ 3,829,851</u>	<u>61,306</u>	<u>3,891,157</u>

See accompanying independent auditor's report.

Adams County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2019

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$1,214,502. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

At June 30, 2019, disbursements in the capital projects function exceeded the amount budgeted prior to the budget amendment. In addition, disbursements in certain departments exceeded the amounts appropriated.

Adams County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Four Years*
(In Thousands)

Required Supplementary Information

	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.023481%	0.025337%	0.024955%	0.022458%	0.024638%
County's proportionate share of the net pension liability	\$ 1,486	1,688	1,570	1,109	977
County's covered payroll	\$ 2,442	2,349	2,227	2,096	2,152
County's proportionate share of the net pension liability as a percentage of its covered payroll	60.85%	71.86%	70.50%	52.91%	45.40%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

Adams County

Schedule of County Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

	2019	2018	2017	2016
Statutorily required contribution	\$ 227	223	215	204
Contributions in relation to the statutorily required contribution	(227)	(223)	(215)	(204)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered payroll	\$ 2,359	2,442	2,349	2,227
Contributions as a percentage of covered payroll	9.62%	9.13%	9.15%	9.16%

See accompanying independent auditor's report.

Adams County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Adams County

Schedule of Changes in the County's
Total OPEB Liability, Related Ratios and Notes

For the Last Two Years
Required Supplementary Information

	2019	2018
Service cost	\$ 36,000	36,000
Interest cost	14,000	13,000
Difference between expected and actual experiences	(7,000)	(53,000)
Changes in assumptions	9,000	(5,000)
Benefit payments	(11,000)	(6,000)
Net change in total OPEB liability	41,000	(15,000)
Total OPEB liability beginning of year	323,000	338,000
Total OPEB liability end of year	<u>\$ 364,000</u>	<u>323,000</u>
Covered-employee payroll	\$ 2,101,702	2,035,547
Total OPEB liability as a percentage of covered-employee payroll	17.3%	15.9%

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2019	3.51%
Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

Adams County

Supplementary Information

Adams County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

			Special
	County Recorder's Records Management	Resource Enhancement and Protection	Aquatic Center Reserve
Assets			
Cash and pooled investments	\$ 4,810	32,487	96,450
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Total assets	\$ 4,810	32,487	96,450
Deferred Inflows of Resources and Fund Balances			
Deferred inflows of resources:			
Unavailable resources:			
Succeeding year property tax	\$ -	-	-
Other	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	-	96,450
Other purposes	4,810	32,487	-
Total fund balances	4,810	32,487	96,450
Total deferred inflows of resources and fund balances	\$ 4,810	32,487	96,450

See accompanying independent auditor's report.

<u>Revenue</u>		
Aquatic Center Sinking	Debt Service	Total
2,036	21,751	157,534
-	13	13
-	298,000	298,000
2,036	319,764	455,547

-	298,000	298,000
-	13	13
-	298,013	298,013

2,036	21,751	120,237
-	-	37,297
2,036	21,751	157,534
2,036	319,764	455,547

Adams County

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2019

			Special
	County Recorder's Records Management	Resource Enhancement and Protection	Aquatic Center Reserve
Revenues:			
Property tax	\$ -	-	-
Intergovernmental	-	6,919	-
Charges for service	984	-	-
Use of money and property	46	326	-
Total revenues	1,030	7,245	-
Expenditures:			
Debt service	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,030	7,245	-
Other financing sources:			
Transfers in	-	-	-
Change in fund balances	1,030	7,245	-
Fund balances beginning of year	3,780	25,242	96,450
Fund balances end of year	\$ 4,810	32,487	96,450

See accompanying independent auditor's report.

<u>Revenue</u>		
Aquatic Center Sinking	Debt Service	Total
-	300,105	300,105
-	24,305	31,224
-	-	984
-	-	372
-	324,410	332,685
86,467	319,254	405,721
(86,467)	5,156	(73,036)
86,468	-	86,468
1	5,156	13,432
2,035	16,595	144,102
2,036	21,751	157,534

Adams County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,256	219,549	37,952
Other County officials	3,646	-	-	-
Receivables:				
Property tax:				
Delinquent	-	5	11	241
Succeeding year	-	106,000	236,000	5,385,000
Special assessments	-	-	-	-
Total assets	\$ 3,646	107,261	455,560	5,423,193
Salaries and benefits payable	\$ -	-	2,796	-
Due to other governments	371	107,261	440,130	5,423,193
Trusts payable	3,275	-	-	-
Compensated absences	-	-	12,634	-
Total liabilities	\$ 3,646	107,261	455,560	5,423,193

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
2,263	22,830	760	107,883	120,654	513,147
-	-	-	-	-	3,646
15	215	-	-	-	487
316,000	698,000	195,000	-	1,000	6,937,000
-	-	-	-	1,568	1,568
318,278	721,045	195,760	107,883	123,222	7,455,848
-	-	-	-	1,226	4,022
318,278	721,045	195,760	107,883	121,996	7,435,917
-	-	-	-	-	3,275
-	-	-	-	-	12,634
318,278	721,045	195,760	107,883	123,222	7,455,848

Adams County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 7,552	99,210	400,419	4,940,150
Additions:				
Property and other county tax	-	106,833	238,282	5,436,097
State tax credits	-	7,910	17,631	401,241
Office fees and collections	115,543	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	56,617	-	-	-
Miscellaneous	-	-	145	-
Total additions	172,160	114,743	256,058	5,837,338
Deductions:				
Agency remittances:				
To other funds	31,792	-	-	-
To other governments	83,849	106,692	200,917	5,354,295
Trusts paid out	60,425	-	-	-
Total deductions	176,066	106,692	200,917	5,354,295
Balances end of year	\$ 3,646	107,261	455,560	5,423,193

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
295,111	713,854	179,747	127,857	156,162	6,920,062
318,538	630,561	199,347	-	3,644	6,933,302
23,647	112,951	11,997	-	77	575,454
-	-	-	-	-	115,543
-	-	-	1,513,721	-	1,513,721
-	-	-	-	6,416	6,416
-	-	-	-	70,078	126,695
-	-	-	-	60,591	60,736
342,185	743,512	211,344	1,513,721	140,806	9,331,867
-	-	-	57,057	-	88,849
319,018	736,321	195,331	1,476,638	173,746	8,646,807
-	-	-	-	-	60,425
319,018	736,321	195,331	1,533,695	173,746	8,796,081
318,278	721,045	195,760	107,883	123,222	7,455,848

Adams County

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds

For the Last Ten Years

	2019	2018	2017	2016
Revenues:				
Property and other county tax	\$ 3,580,394	3,429,921	3,062,652	2,953,017
Interest and penalty on property tax	20,408	22,557	19,698	18,589
Tax increment financing	400,315	354,709	373,897	334,127
Local option sales tax	233,841	216,810	248,985	274,145
Intergovernmental	3,529,263	3,312,278	3,491,618	3,659,400
Licenses and permits	7,185	7,545	5,902	20,949
Charges for service	479,364	497,195	439,308	350,192
Use of money and property	76,802	45,049	66,872	85,303
Miscellaneous	71,891	77,670	41,038	109,208
Total	<u>\$ 8,399,463</u>	<u>7,963,734</u>	<u>7,749,970</u>	<u>7,804,930</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,509,161	1,408,991	1,254,815	1,004,340
Physical health and social services	198,039	212,347	144,241	230,638
Mental health	178,812	153,311	127,530	177,392
County environment and education	879,471	707,871	718,573	789,572
Roads and transportation	3,446,421	3,596,917	3,352,180	3,400,775
Governmental services to residents	330,607	432,199	539,330	297,466
Administration	788,769	787,939	818,780	746,236
Non-program	-	28,670	39,130	12,751
Debt service	872,527	686,362	686,062	950,595
Capital projects	574,270	923,622	578,736	2,321,276
Total	<u>\$ 8,778,077</u>	<u>8,938,229</u>	<u>8,259,377</u>	<u>9,931,041</u>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
2,476,388	2,392,059	2,625,777	2,579,811	2,514,840	2,515,367
17,285	17,096	17,379	16,261	17,243	18,014
373,742	397,196	446,775	452,223	448,251	461,773
233,192	202,547	224,368	166,691	261,149	234,602
3,202,252	2,806,121	2,954,525	3,071,193	3,002,653	3,247,422
7,735	5,640	16,486	25,738	13,491	8,935
405,596	363,221	344,600	439,858	335,492	313,756
95,303	90,557	99,952	110,519	135,184	128,962
25,660	101,142	94,483	123,986	39,899	143,101
6,837,153	6,375,579	6,824,345	6,986,280	6,768,202	7,071,932
1,005,353	1,035,040	1,011,089	1,052,672	898,524	949,665
233,636	255,978	269,069	287,071	274,202	247,163
413,965	122,310	307,966	632,781	692,087	504,319
705,218	834,689	569,463	678,705	603,572	556,799
2,818,929	2,518,062	2,710,813	2,866,744	2,694,208	2,702,888
274,882	221,158	293,350	195,821	202,132	193,933
672,365	740,065	710,976	672,123	648,868	699,223
85,855	21,201	34,409	55,617	13,337	14,870
517,029	458,150	460,279	912,350	516,887	521,316
317,837	61,580	17,267	2,010	450	19,015
7,045,069	6,268,233	6,384,681	7,355,894	6,544,267	6,409,191



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Officials of Adams County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adams County, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Adams County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Adams County's internal control. Accordingly, we do not express an opinion on the effectiveness of Adams County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) and (E) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adams County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

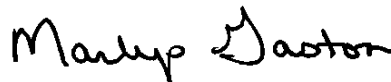
Adams County's Responses to the Findings

Adams County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Adams County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Adams County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Marlys K. Gaston, CPA
Deputy Auditor of State

May 30, 2020

Adams County

Schedule of Findings

Year ended June 30, 2019

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Condition – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- (1) County Treasurer – The duties of opening mail, collecting, depositing, posting and maintaining the detailed accounts receivable listing and custodian of change funds are not segregated.
- (2) County Recorder – The duties of opening mail, collecting, depositing, posting and daily reconciling are not segregated. Also, the person who signs checks is not independent of the person approving disbursements, handling cash, recording cash receipts and preparing checks.
- (3) County Sheriff – The duties of opening the mail, collecting, depositing, posting and daily reconciling are not segregated. Also, the person who signs checks is not independent of the person approving disbursements, handling cash and preparing checks.
- (4) Conservation – The duties of opening the mail, collecting, depositing, posting and daily reconciling are not segregated. The person who signs checks is not independent of the person approving disbursements, handling cash, recording cash receipts and preparing checks.
- (5) Ag Extension – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated.

Cause – The County offices noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect each County officials's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Adams County

Schedule of Findings

Year ended June 30, 2019

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including elected officials and other County personnel. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and the reviews should be documented by the signature or initials of the reviewer and the date of review.

Mail should be opened by someone independent of the receipt process. While opening the mail, that independent mail opener should prepare a list of mail receipts. The mail should then be forwarded on to the accounting personnel for recording and depositing. The independent mail opener should periodically compare the list of mail receipts to the receipt records to ensure the receipts were properly recorded and deposited.

Responses –

County Treasurer – There are many procedures in place in the Treasurer’s office to try to obtain the maximum internal control possible. As noted, we are a small office which makes it difficult to segregate duties, but we will continue to review office procedures to seek ways to improve internal controls to the extent possible.

County Recorder – We will continue to review policies to make items mentioned better, however we are limited due to being a two-person office.

County Sheriff – I open the mail, stamp the checks “Deposit Only”, then take to Civil Clerk for processing, except payment for other County inmates that I take to the Treasurer for deposit. We are a small Department and have limited personnel.

Conservation – Due to our small department size and lack of full-time employees we are unable to segregate duties further.

Ag Extension – On October 31, 2019 an additional employee was hired to help segregate duties within the office.

Conclusion – Responses acknowledged. Each County official should continue to review operating procedures to obtain the maximum internal control possible, including utilizing personnel from other offices to provide additional control through review of financial transactions, reconciliations and reports.

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County’s financial statements.

Adams County

Schedule of Findings

Year ended June 30, 2019

Condition – During the audit, we identified material amounts of payables and capital asset depreciation which were not recorded in the County's financial statements or were recorded in the wrong fiscal year. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Cause – County policies do not require, and procedures have not been established to require independent review of year end cut-off transactions and depreciation expense to ensure the County's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in County employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the County's financial statements were necessary.

Recommendation – The County should implement procedures to ensure all payables and capital asset depreciation are identified and properly included in the County's financial statements.

Response – We will continue to work toward compliance.

Conclusion – Response accepted.

(C) Receipt Deposits

Criteria – An effective internal control system provides for internal controls related to ensuring the timely deposit of all incoming cash and checks.

Condition – Receipts are not always deposited with the County Treasurer timely (i.e., daily or every other day). Two State warrants issued to the County Sheriff's Department were not deposited timely.

Cause – Policies and procedures have not been designed and implemented to ensure all incoming cash and checks are deposited timely.

Effect – This condition could result in unrecorded or misstated revenues and receivables.

Recommendation – The County Sheriff's Department should establish procedures to ensure all receipts are deposited with the County Treasurer timely.

Response – The \$4,200 is a grant we receive every year for participating in the GTSB program. The money when received would have been deposited the following day unless it was over a weekend, sometimes the mail takes longer to get it to us in a timely manner. In the future, we will double check to make sure it does not happen. The Sheriff's Office makes deposits into checking account and at the end of the month a check is issued to the Adams County Treasurer's office.

Conclusion – Response accepted.

Adams County

Schedule of Findings

Year ended June 30, 2019

(D) County Sheriff

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds and ensuring monthly bank reconciliations are reviewed by an independent person.

Condition – Monthly bank reconciliations are not reviewed by an independent person.

Cause – Procedures have not been designed and implemented to ensure reconciliations are independently reviewed.

Effect – Lack of independent review of bank reconciliations can result in unrecorded transactions, undetected errors and the opportunity for misappropriation.

Recommendation – An independent review of all bank reconciliations should be performed, and the review should be documented by the signature or initials of the reviewer and the date of review.

Response – Bank records will be signed with a date when we receive them. We are a small department with limited staff.

Conclusion – Response acknowledged. The monthly bank reconciliations should be reviewed by an independent person on a timely basis. The review should be documented by the initials or signature of the reviewer and the date of the review.

(E) County Sheriff – Timesheet Approval

Criteria – An effective internal control system provides for internal controls related to preparation of timesheets by all employees. Timesheets support all hours worked and hours taken as vacation, sick leave, compensatory time, holiday hours and personal days. Supervisory review of timesheets can help ensure the accuracy of recorded hours. Proper supervisory review should include timesheet approval by each employee's immediate supervisor.

Condition – During fiscal year June 30, 2019, the timesheet for one employee tested was approved by an individual who was unfamiliar with the employee's work schedule and unable to corroborate time worked on submitted timesheets.

Cause – Procedures have not been designed and implemented to ensure an independent supervisor familiar with the employees work schedule approves timesheets.

Effect – Timesheets are not reviewed by an independent person familiar with the employee's work schedule.

Recommendation – The Sheriff's Office should develop policies and procedures to ensure timesheets are reviewed and approved by an independent person familiar with the employee's work schedule prior to submission for payroll processing.

Adams County

Schedule of Findings

Year ended June 30, 2019

Response – The individuals signing time sheets is aware of workers schedule, but will talk with HR.

Conclusion – Response acknowledged. All timesheets should be approved by an independent person familiar with the employee's work schedule.

(F) Credit Card Expenditures

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper usage and supporting documentation for credit cards.

Condition – The County has a written credit card policy. The policy states all credit card statements must be immediately submitted for payment to avoid finance charges. The credit card payment tested for the Sheriff's Department included \$32.60 in late fees and \$7.00 in sales tax paid.

Cause – Although policies and procedures have been established, County staff are not consistently following the credit card policy.

Effect – Untimely submission of supporting documentation could result in improper or unauthorized charges.

Recommendation – Procedures should be established to ensure established policies and procedures are followed by all departments. The Sheriff's Department should ensure sales tax is not paid on purchases and consider changing due dates for certain credit cards to ensure payment can be made before the due date to ensure late fees and interest are not incurred.

Response – We have switched to different credit card company with more centralized control, the late fees and interest issue should not occur going forward.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Adams County

Schedule of Findings

Year ended June 30, 2019

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – At June 30, 2019, disbursements in the capital projects function exceeded the amount budgeted prior to the budget amendment. In addition, disbursements in certain departments exceeded the amounts appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will continue to work toward compliance.

Conclusion – Response accepted.

- (2) Questionable Expenditures – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General's opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain expenditures were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

Paid to	Purpose	Amount
Lands' End Business Outfitters	Collared shirts with VA logo to wear in office for one employee	\$ 666

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Department of Veterans Affairs should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including the requirements for proper public purpose documentation.

Adams County

Schedule of Findings

Year ended June 30, 2019

Response – The shirts embroidered with Veteran's Affairs name and logo are worn while working in the office, as well as attending veteran related events, visiting VA hospital, and other related activities where veterans could possibly be present. These shirts allow veterans to identify Jim as a member of the Veteran Affairs who can inform or assist them in his duties. Our board advised Jim he needed to be more frugal with shirt expenditures. He responded that the expenditures were to replace previous shirts, as he has lost over 100 pounds during the last year. We further discussed what an appropriate number of shirts would constitute, as well as how often they would need to be replaced.

Conclusion – Response accepted. In addition, the Department should ensure the public purpose is documented for these types of expenditures prior to making the expenditure.

- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Buisness Connection	Transaction Description	Amount
Scott Akin, Board of Supervisor Chairman, Akin Building Center	General repairs, wood and lumber, hardware, paint and plumbing supplies	\$ 23,037
Karl McCarty, Board of Supervisor, Karl McCarty Carpentry	General repairs	840

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Karl McCarty Carpentry do not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year.

The transactions with Akin Building Center may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa since the total transactions exceeded \$1,500 and were not competitively bid.

Recommendation – The County should consul legal counsel to determine the disposition of this matter.

Response – We will continue to work toward compliance.

Conclusion – Response acknowledged. The Board should consult legal counsel to determine the disposition of this matter.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Pooled Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

Adams County

Schedule of Findings

Year ended June 30, 2019

- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2019 for the County Extension Office did not exceed the amount budgeted.

- (10) Revenue Bonds – No instances of non-compliance with the urban renewal tax increment and local option sales tax revenue bond provisions were noted.
- (11) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

Adams County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
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Ryan J. Pithan, CPA, Manager
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Alexia M. Grgurich, Staff Auditor
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